STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission to Investigate New York Telephone Company's Proposal to Discontinue Offering Information Services.	:	Case 98-C-1079

PRESENTATION IN SUPPORT OF TARIFF FILING

SANDRA DiIORIO THORN
1095 Avenue of the Americas
New York, New York 10036
(212) 395-6515

Counsel to New York Telephone Company,
d/b/a Bell Atlantic - New York

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Pursuant to a Procedural Ruling issued September 16, 1998, New York Telephone Company, d/b/a Bell Atlantic - New York ("BA-NY" or the "Company"), provides herewith additional information which supplements its tariff filing withdrawing InfoFone® services.[1]

I. BACKGROUND

InfoFone services have been offered by BA-NY since the early 1970s. The cornerstone, and perhaps the most well known service, is "976" Downstate Dedicated Mass Announcement Services ("976"). Three other services were introduced in the late 1980s to early 1990s: Group Bridging Service ("GBS") in 1986; Interactive Information Network Services ("IINS") in 1988; and CIRCUIT 9℠ service in 1991. Over these services, Information Providers ("IPs") provide live and recorded (both passive and interactive) programs on various subjects including, but not limited to weather, lottery results, sports scores, horoscopes, and adult entertainment. BA-NY

[1] On July 17, 1998, BA-NY filed a tariff to discontinue its InfoFone services. (See Letter dated July 17, 1998 to Secretary Crary from Sandra Dilorio Thorn.) This proceeding was instituted by the Commission to examine the tariff filing. "Order Suspending Proposed Tariffs and Instituting Proceeding," issued and effective August 20, 1998 ("Instituting Order").

provides transport, call processing, and billing and collection services to the IPs. Downstate (i.e., New York Metro LATA), these services are all provided through one Ericsson AXE-10 switch.[2]

There continues to be a steady decline in customer acceptance of these services. (See Appendix A.) 976, during its heyday in the mid-1980s accounted for over 400 million calls per year. As recently as 1991, 976 accounted for approximately 173 million calls. The past 7 years have seen dramatic declines in 976 call volumes. In 1998, BA-NY estimates only 33 million calls will be made to 976 programs. Call volumes for all InfoFone services including 976 are estimated to decline to less than 40 million in 1998. In contrast, on an average business day, BA-NY handles a total of 136 million calls statewide and a total of 74 million in New York City alone.

Initially, these services were unique and "fashionable." Since the late 1970s, the sources of information in the marketplace have grown dramatically. As a result, InfoFone services no longer represent state-of-the-art information services. Accordingly, the demand for these services is in a serious state of decline. Information services provided by interexchange carriers, the Internet as well as cable TV, and print and broadcast media are evidence of substantial competition.[3] There are numerous less expensive or free services available today which provide all types of information including those offered by InfoFone IPs.

Coupled with the significant decline in the use of these services (and the concomitant decline in the Company's revenues), the Commission has indicated a preference for pricing these discretionary services at (or below) cost. In addition, the Company would have to retire the

[2] Upstate, 540 and 550 services are routed through an end office switch and/or tandem switch network arrangements in each of the New York LATAs.

[3] It is anticipated that some CLECs will also provide similar services on a competitive basis. ACC is currently offering chat lines in upstate New York and Focal Communications offers information

InfoFone switch next year due to technological complications surrounding Year 2000 compliance. (See Appendix B.) Therefore, expenses will increase, customer acceptance continues to rapidly decline and the Company will be constrained to operate these services at a loss. After due consideration of all these factors, BA-NY has decided to discontinue these services.

At this time, competition in the telecommunications marketplace is increasing. BA-NY believes that in addition to the IXCs already providing similar services, other carriers are interested in providing information services. To this end, BA-NY will return the 6 exchanges associated with these services so that other carriers can offer similar services over these exchanges and IPs will experience minimal disruption.[4] BA-NY expects that the transition of these services to other carriers will require most of next year. For this reason, the Company would urge that this proceeding be completed as expeditiously as possible. Delay will only tend to cast a pall on the viability of these services and increase the business risk for carriers and IPs alike. To facilitate the Tariff review, BA-NY is filing herewith the two reports requested by the Commission, relating to technological concerns and contingency plans. (Appendices B and C.) BA-NY urges the Commission to approve the tariff as expeditiously as possible.

InfoFone service includes several different information services, including:

A. Downstate Dedicated Mass Announcement Network Services ("976")

This service is a broadcast service available only in the New York Metro LATA wherein customers call a local 976 number to hear a fixed-length, 57-second recorded message provided

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services on several NXXs downstate. To the best of our knowledge, only the normal usage charges for a network call apply to these calls.

[4] These exchanges are: 976 for Mass Announcement Services, 970 and 540 for IINS, 550 for GBS and 910 and 920 for CIRCUIT 9.

by an IP.[5] The recorded message is "passive," meaning that the customer cannot interact with the program. It is a "listen-only" format. The rate is $.40 for each call. BA-NY provides transport, call processing, and billing and collection services for the IPs. There are approximately 57 programs on 976 providing horoscopes, lottery results, sports, racing, time, weather and other information.

B. **Interactive Information Network Services ("IINS")**

IINS is a service which allows callers to reach an individual, or an IP-provided, pre-recorded announcement or interactive program. The interactive information programs allow callers to use the touch tone pad on their telephone to select various options offered by the IP. These calls are provided over the 970 and 540 exchanges, with 970 being reserved for adult programming and available only in the Metro LATA. The IPs establish the price and duration of these calls. Currently, there are 671 programs on 970 and 371 programs on 540.

C. **Group Bridging Service ("GBS")**

GBS offers a chat-line service on the 550 exchange which allows a caller to join an ongoing group conversation. Most of these programs are date lines or conversations organized around a particular lifestyle. Calls can run any length of time and prices are selected by the IP from among three price options included in the GBS tariff. There are approximately 71 GBS programs.

[5] The broadcast nature of this service is unique to 976. Indeed, to the best of BA-NY's knowledge, there is no other similar information service in the United States provisioned on a broadcast basis. Notably, there is no signaling or transmission of any kind provided from the IMAS switch to the IP. The 976 call itself is never forwarded beyond the IMAS switch. 976 is further distinguished by its ability to complete thousands of calls per program simultaneously using only 3 voice grade circuits to obtain the recorded message from the IP.

D. CIRCUIT 9 Service

CIRCUIT 9 service is an information service that is available on the 910 and 920 exchanges. It has been grandfathered since early 1996 and currently has 2 IPs remaining, offering a total of 26 programs. CIRCUIT 9 Service was originally offered statewide in New York. It is an incoming call service and can be used for normal voice calls similar to 800 services or pay-per-call information programs. As a trunk-side service, CIRCUIT 9 can provide the billed telephone number (most often the calling number) to the service subscriber.[6]

All downstate InfoFone services are provisioned through the Ericsson AXE-10 ("IMAS") switch. Upstate, IINS (540) and GBS (550) services are routed through the network to an end office or a tandem switch in each LATA for completion to the IPs.

II. PRESENTATION

In its Instituting Order, the Commission indicated that the Company should provide additional information regarding the discontinuance of the InfoFone services and identified five questions which should be explored in this proceeding. (Instituting Order at 4-5.) BA-NY hereby provides the following supplemental information to address the Commission's concerns.[7]

[6] Unlike the other InfoFone services, CIRCUIT 9 service provides Automatic Number Identification ("ANI") because it uses Feature Group D trunk groups to terminate the calls to the IP. Unlike line-side connections which are used in all other InfoFone services, trunk groups can transmit ANI. There has been considerable confusion concerning the availability of ANI for the other InfoFone services. BA-NY has explained this issue in detail in its Report Concerning the Availability of ANI submitted to the Commission on August 27, 1997 in Case 93-C-0451.

[7] Some of the questions (e.g., 1 and 5) which were identified by the Commission in its Instituting Order are best answered by entities other than BA-NY. BA-NY is not involved in the provision of information programs and therefore does not undertake competitive research involving this market segment. Much of the information provided for these issues was obtained from obvious public sources (e.g., newspapers, Internet, etc.).

A. **Do Viable Alternatives Exist?**

The answer is yes. The information services industry in the United States is vibrant. Consumers in New York have access to a wide variety of information services today -- some free to end users, others like InfoFone services, are offered for a fee. Consumers in New York can access:

- Pay-per-use services;
- POTs information services;
- Internet; and
- Miscellaneous information services.

It is impossible and unnecessary to discuss all the ways in which consumers obtain information today. The categories identified above are not meant to be all inclusive. Broadcast and print media are flourishing segments of the information market today. Specialized programming abounds. For example, extensive sports (ESPN), time, weather (Weather Channel) and news (CNN, MSNBC, CNBC and Fox News Channel) are provided over cable networks as well as radio stations. This information is universally available and virtually free to consumers. As CLECs continue to grow, they will likely provide a wide variety of information services. For example, ACC provides chat lines in Upstate New York; the caller pays normal network usage charges for these services. Several information services are provided over local exchange telephone numbers on Focal Communication's network. All of the types of information provided by the InfoFone programs are available through the alternative information sources described below.

1. Pay-Per-Use Services

Pay-per-use services offer information to consumers for a fee, on either a per minute or per call basis.[8] These information services fall into two general categories, those that are billed to the consumer on their telephone bill and those billed by some other means, i.e., credit card or subscriptions.

The first category are those services which are virtually identical to the InfoFone services. Interexchange carriers offer 900 services which provide the dominant share of this class of service. There are at least 10,000 information programs available through 900 services.

The second category also provides information for a fee but the consumer pays for these calls on their credit card or through a subscription service billed directly by the information provider. These calls may be transmitted over the basic telephone network ("POTs") line or 800 services.

2. POTs Information Services

These services are provided today to the public over the POTs network without any specialized or ancillary services such as rating or billing and collection offered by the carrier. The consumer usually pays only for a local call to access this information. In these situations, the information provider generally receives revenues from advertising or from a specific industry. For example, 777-FILM in New York City offers consumers information on the films available in

[8] Some may argue that other information services are not competitive with 976 since the charge for 976 is only 40 cents. Yet, the explosion of other pay-per-use services as well as Internet usage tends to contradict that argument. Consumers will pay for the value of information received. Certainly, in a world where a candy bar costs 65 cents and a soda costs $1.00, 40 cents is not sacrosanct. Moreover, IPs will be free to charge as little as they choose for their services if they believe the market demands lower rates. However, if the consumer can obtain the same or equivalent information elsewhere for a reasonable price, then it is not the role of the Commission to artificially ensure the profitability of a commercial venture.

NYC theaters and allows consumers to purchase advance sale tickets for these films for the price of just a local call.[9] Another POTs service, "Consumer Tips" was offered by NYNEX Information Resources during 1995 to 1997.[10] This service provided a variety of information, including sports, weather, horoscopes and consumer, health and auto tips. However, IPs may also require credit card billing or other billing arrangements on these calls if they choose.

643-49

3. Internet

The Internet has dramatically changed the way consumers access information. The growth of the world wide web has multiplied the number of entertainment, research and commercial applications on the Internet. From 1995 to 1996, the number of web sites introduced by businesses in the top 12 industries on the Internet grew 450% from 30,000 to 135,000. According to the Internet Industry Almanac, there will be over 327 million Internet users by year-end 2000 -- up from 100 million at year-end 1997. The U.S. is projected to have over 130 million Internet users or 40% of the total in year 2000.[11] Some analysts predict continued worldwide growth at about 2 million users per month.[12]

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[9] To the best of BA-NY's knowledge, there are numerous information services provided over POTs lines. However, since BA-NY does not have any role in the provision of these services, we are unable to identify them with specificity. A quick review of several newspapers indicates that there are numerous "phone services" which offer dating or other personal services on a local exchange call basis. Many of these services use BA-NY's POTs service or local exchange services provided by CLECs.

[10] This service was the subject of some attention in Case 93-C-0451. In fact, the availability of this service at local rates was the driving factor in Judge Robinson's recommended decision which directed that contribution be eliminated from 976 rates. Cases 93-C-0451 and 91-C-1249, Recommended Decision on Phase II ("RD") (issued January 17, 1997), at 162-64. NIRC discontinued this service in 1997.

[11] "Over 300 Million Internet Users in Year 2000," PR Newswire, September 28, 1998.

[12] "Internet Population," Business 2.0's Newsletter for Internet Marketing Executives, ICONOCAST, August 5, 1998.

The world wide web offers an extensive array of information services and also offers chat rooms. Horoscopes, weather, finance, lottery, sports and personals represent just a small percentage of the programs available. Most of these services are seemingly "free" to the end user since access to them is generally included in the on-line access fee and local telephone charges for each call.

4. Miscellaneous Information Services

The consumer has numerous sources for information in New York available over the telephone network. Information service bureaus provide a variety of consumer and commercial information to the public over the telephone network. Moreover, there are business, government, cultural, community and social organizations which provide a vast array of services to the public.[13] This category of services includes information on tourism, family and human rights issues, health and social issues, and governmental information. New York consumers have access to virtually unlimited information. The discontinuance of InfoFone services will have little or no effect on the availability of information to the consumer.

B. Evaluation Criteria

The Commission has requested that BA-NY explore the criteria by which the alternatives to InfoFone services should be evaluated. While this is an inherently subjective inquiry, nonetheless there are certain indicia which are relevant to most consumers seeking information. Among others, relevant criteria include:

1. Ease of Access

   - telephone call or computer contact

[13] For example, over 24 New York City Chamber of Commerce organizations offer business information; other organizations provide Victim Services Hotline, New York Society for the Prevention of Cruelty to Children, Irish Community Network and Services for the Aging.

- television, radio or newspaper

2. Cost

   - free, pay-per-use or local call charge
   - fixed or variable

3. Timeliness

   - certain subjects such as sports may require up-to-the-minute information while others such as horoscopes have a more occasional appeal.

4. Scope

   - New York City vs. national weather
   - stock market vs. specific stock

5. Specificity

   - Can the consumer quickly access information targeted to a specific requirement, e.g., the time and location of a film the caller wishes to see on a particular date.

Each consumer also makes personal choices as to which of these criteria are important to him or her for a specific purpose. Clearly, consumers have a variety of different information needs and use different types of information services to satisfy different requirements at different times.

30 million want Info

C. The Company Has Provided Adequate Justification To Discontinue These Services

The Company has decided to discontinue its InfoFone services by August 1, 1999.[14] This business decision was reached after serious consideration. It was not premised on any one specific rationale but on several factors.

[14] On June 26, 1998, BA-NY advised all IPs that these services would be discontinued and hosted a meeting on July 10, 1998 to discuss this decision with them. On July 17, 1998, the Company filed a tariff to discontinue these services effective August 1, 1999.

First, InfoFone services no longer fit with BA-NY's long-term vision of the telecommunications services it will offer in the twenty-first century. Second, as demonstrated by declining call volumes, these services no longer provide opportunities for revenue growth. Finally, the Ericsson switch must be retired because the continued viability of the equipment and system integral to the provisioning of these services is severely jeopardized by the technological complications surrounding Year 2000 compliance. Replacement of the switch triggers substantial expenses. BA-NY concluded, based on an analysis of all these factors, that it would no longer provide these services.

In a competitive industry, BA-NY should not be forced to offer discretionary services. The InfoFone services at issue are clearly discretionary and not basic telecommunications services.[15] Unlike any other BA-NY telecommunications services, InfoFone services combine various distinct services, such as a dedicated NXX, call transport, call processing and billing and collection.[16] The major component which distinguishes this bundle of services from traditional telecommunications services is billing and collection. Billing and collection services are clearly not telecommunications services[17] and BA-NY does not provide these services to non-carriers in the normal course of its business.

[15] See RD at 162-64.

[16] In the case of the 976 services, the switch also has additional features which are not considered basic, such as the broadcast feature. This feature, unique to New York, is not an element of basic telecommunications.

[17] Detariffing of Billing and Collection Services, CC Docket No. 85-88, Report and Order, 102 FCC 2d 1150 (rel. January 29, 1986) (billing and collection services are not communications common carriage); 47 U.S.C. §§ 153(43) and (46).

The Company does not have a common carriage obligation to bill and collect for services provided to a third party over its lines.[18] To the extent that there is any common carriage obligation, it would attach to the provision of basic network services, e.g., lines, trunks and other basic telecommunications services. The InfoFone services clearly require more than that. The Company should not be forced to continue to provide discretionary services, especially where the market has been eclipsed by newer and more innovative technology.

BA-NY typically evaluates its products and services to determine their projected profitability, i.e., the projected revenues and expenses over the next 3 to 5 years. In this regard, the Company recognized that there is a clear and continued decline in the usage of these services. 976 has witnessed the most dramatic decline and continues to decrease. As of August 1998, 976 revenues year-to-date amounted to $4.3 million (less than 22 million calls). The other services such as GBS and IINS also are declining but, given the low volume of calls, at a slower rate. (See Appendix A.) The decline in these services is a result of consumer choice in the marketplace. In the 1980s, 976 services were innovative and unique. 976 call volumes in 1984 reached over 470 million calls. Since that time, competitive alternatives have proliferated -- other telephone information services (900 and 800), Internet, cable television, radio and newspapers are widely and readily available today. Additionally, other carriers (IXCs and CLECs) provide similar services.

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[18] Final Decision, Amendment of Section 64.702 of the Commission's Rules and Regulations (Second Computer Inquiry), 77 FCC 2d 384 (1980) ("Computer II"), modified on recon., 84 FCC 2d 50 (1981), modified on further recon., 88 FCC 2d 512 (1981), aff'd sub. nom., Computer and Communications Industry Ass'n. v. FCC, 693 F.2d 198 (D.C. Cir. 1982), cert. denied, 461 U.S. 938 (1983). The provision of this bundled service is an historical accident. The Company initially provided 976 services itself and subsequent to Computer II, continued to provide this bundle of services to IPs to continue the substantial contribution to basic rates.

Coupled with the sharp decline in call volumes, the Commission has recently decided that the contribution, which historically benefited all ratepayers, should be eliminated.[19] Even a simple arithmetic analysis shows that the Company is now operating these services at a loss. In a fixed-cost environment, the single most important driver in the relevant cost analysis is the volume of calls through the switch. The day that cost-based rates are established, the Company earns no profit but at least is not losing money. The next day, however, in a declining volume market, the Company begins to lose money because the volumes on which rates were premised are not forthcoming.

The Company also recognized that the Ericsson AXE switch which accommodates all InfoFone services downstate is not now Year 2000 compliant and could not easily be modified to be Year 2000 compliant.[20] The Company realized that it would have to either replace the switch or move the services to another Year 2000 compliant switch; both solutions would require significant expenditures. Even if such expenditures were incurred, the 976 services would not be the same as they are today. The current broadcast configuration would not be duplicated since the manufacturer is no longer supporting the switch given the Year 2000 problems. (See Appendix B.) Therefore, BA-NY is now faced with the provision of several discretionary services which are not profitable, for which there are ample substitutes, and which will require significant infusion of capital to function beyond the Year 2000.

[19] BA-NY has filed an Article 78 appeal challenging this decision. New York Telephone Company v. Public Service Commission of the State of New York, et al., Index No. 5949-97 (N.Y. Sup. Ct. filed Sept. 10, 1997).

[20] BA-NY has explained this technological difficulty in greater detail pursuant to the Commission's Order of August 20, 1998. It is attached as Appendix B hereto.

The Commission has also inquired as to whether other carriers are interested in providing these services. In fact, other carriers are providing pay-per-use information services today. The only differences are the NXXs used to provide these services. Since August, several entities have expressed some interest in taking over the InfoFone services. Discussions are still at the early stages and therefore it is critical that the Commission rule on this matter as soon as possible. These interested entities will not invest time and money if there is any uncertainty surrounding BA-NY's discontinuance of these services.[21]

D. Seamless Transition To Other Carriers

The most critical element of any transition process is planning. In the instant case, carriers and IPs need sufficient time to order, install and test equipment. The carrier would have to arrange for the transfer of one or more of the NXX codes with the North American Code Administrator (i.e., Lockheed Martin). If more than one carrier is interested in providing these services, the Commission would need to facilitate an orderly process to select which carrier would receive the NXXs, which then would need to be ported to the other interested carriers. BA-NY and the carrier would have to negotiate an interconnection agreement if one did not already exist. The Company would need to coordinate the transfer of the services to the other carrier and may need to install additional trunking facilities depending on the carriers' requirements. The carrier and BA-NY would need to coordinate the trunking requirements to handle the anticipated demand. BA-NY would also be responsible for modifying the switch translations and routing to accomplish the NXX transfer. It is anticipated that this process would require, at a minimum, eight months.

[21] The Company notes that MFS was an active party in Case 93-C-0451 and expressed some interest in the competitive provision of 976 services.

1. Billing And Collection

BA-NY could provide billing and collection ("B&C") services to other carriers pursuant to the terms and conditions of its interconnection or billing and collection agreements with them. Currently, BA-NY has existing billing and collection and/or interconnection agreements with several carriers that provide for this type of arrangement. BA-NY will bill and collect charges only to BA-NY's local exchange customers on behalf of the carrier. The carrier would provide BA-NY with calling data consistent with industry standard format and BA-NY would bill its end-user customers on the basis of this calling data. BA-NY would not have any independent role in the recording, assembling or editing of call data. BA-NY could provide bill processing, bill rendering and payment processing (if requested). Under these arrangements, BA-NY could provide billing and collection for its own local exchange customers; for any CLEC end-user customers, the carrier would have to make similar arrangements with the CLEC.

2. Other Billing And Collection Service Providers[22]

The market for billing and collection services is highly competitive. Numerous alternatives for the provision of billing and collection services exist today. Billing providers, including credit card issuers, can offer economical and functionally feasible alternatives to BA-NY's B&C services.[23] First, B&C services can be provided by other carriers such as interexchange carriers, either in connection with their own information services or as an ancillary service. Many IXCs perform their own B&C and therefore have a direct relationship with individual consumers.

[22] BA-NY provides this information to the best of its knowledge. There may be significant additional alternatives available of which BA-NY is unaware. BA-NY's description is not meant to be exhaustive.

[23] Cases 89-C-191 and 90-C-0165, "Opinion and Order Concerning Regulation of Billing and Collection Services," Opinion No. 90-33 (issued December 28, 1990).

Second, there are several billing clearinghouses which provide B&C services today on behalf of smaller carriers. BA-NY has contracts currently with six clearinghouses for the New York area. In addition, there are national credit card companies that provide B&C services. Finally, there are other companies that provide direct billing to end-user customers based on the provision of calling data, i.e., Billing Name and Address ("BNA"). Currently, BA-NY provides BNA data to several companies who provide billing services for long distance or other types of telephone calls.[24]

III. 976 RATES

The Instituting Order identified $0.10 as the amount of contribution remaining today in 976 rates and directed that the parties address the appropriate disposition of this amount.[25] The procedural ruling directs the Company to propose a rate treatment for the $0.10.

BA-NY proposes that the $0.10 at issue should properly continue to inure to ratepayer benefit.[26] At the time that current BA-NY rates were established, after an extensive revenue requirement review, 976 services contributed approximately $30 million to general revenues. These revenues were intended to benefit local exchange services to residential customers. If these revenues were now to be simply transferred to the IPs, the public interest would not be served.

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[24] The market for billing mechanisms today is varied and innovative. For example, a recent advertisement in the N.Y. Press offers "Pressmatch," which allows the end user to subscribe for 10, 20, 30 or 40 minutes of calling. This mechanism permits calls to be completed to numbers which are otherwise blocked and charges do not appear on any telephone bill. End users can use credit cards, money orders or cash as payment.

[25] The Company respectfully disagrees with ALJ Epstein's characterization that there should be no opportunity to reexamine the $0.10 estimate of contribution. The Company does not acquiesce in this finding and reserves all rights and remedies it may have in this regard.

[26] While some parties might argue that these revenues provided a windfall to the Company instead of ratepayer benefit, a cursory look at BA-NY's rate of return in New York would prove otherwise. In Plan Year 2 of BA-NY's Performance Regulation Plan, BA-NY's return on equity was 5.6%, and it is expected that Plan Year 3 will be less than 2%.

First, the Company would be entitled to treat these revenues as exogenous costs and to recoup these lost revenues from other services. However, the services which are available for exogenous increases are other discretionary services which already provide significant contribution over cost for ratepayer benefit.[27] The reduction of 976 rates to bestow a financial benefit on a small group of individuals (IPs) would inure to the detriment of other ratepayers who are already contributors to the general ratepayer welfare. This is not good public policy. Moreover, in a competitive marketplace this makes little economic sense. Consumers will make choices based on artificial constraints -- not on the Company's real cost of providing the service.

Second, this reduction in BA-NY rates is simply a windfall to the IPs. They have done nothing to deserve increased profits. They have not improved their services or expended any additional monies to enhance these services.[28]

The Commission should not take any action which will inure to the detriment of ratepayers as a whole and should retain the current rate structure.

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[27] The Company does not agree that the $0.10 is appropriately considered contribution, but rather it represents the actual costs for this service. Upon an incomplete record, the Commission assumed that switching costs were roughly comparable to average switching costs. However, this analysis simply ignored that higher 976 switching costs reflect the relatively low volume of 976 calls transmitted through the dedicated switch when compared to POTs switching.

[28] The Commission might consider reducing the cost to the end user to $0.30. However, this would still require other ratepayers to pick up the lost contribution. Moreover, there is no evidence that $0.40 represents any restriction on consumer acceptance.

IV. CONCLUSION

BA-NY respectfully urges the Commission to find that the discontinuance of InfoFone services based on the aforementioned circumstances is in the public interest and to approve its Tariff.

Respectfully submitted,

Sandra D. Thorn /jc

Sandra Dilorio Thorn
New York Telephone Company
1095 Avenue of the Americas
New York, New York 10036
(212) 395-6515

Dated: New York, New York
October 6, 1998

APPENDIX A

InfoFone Services
1993 to 1998 YTD

Call Volumes

	1993	1994	1995	1996	1997	YTD Aug. 1998
MAS	125,478,868	96,572,369	66,744,195	51,364,773	40,577,544	21,574,644
IINS	4,591,829	4,187,793	4,090,441	4,282,852	3,984,255	2,315,742
GBS	5,328,147	4,560,184	4,615,332	4,214,111	3,717,096	2,317,657
Total	**135,398,844**	**105,320,346**	**75,449,968**	**59,861,736**	**48,278,895**	**26,208,043**

BA-NY Revenues

	1993	1994	1995	1996	1997	YTD Aug. 1998
MAS	$30,115,000	$22,374,000	$15,186,000	$12,184,000	$8,866,000	$4,315,000
IINS	$4,408,000	$4,020,000	$4,116,000	$4,664,000	$4,579,000	$2,754,000
GBS	$4,644,000	$4,319,000	$4,340,000	$4,492,000	$4,913,000	$1,718,000
Total	**$39,167,000**	**$30,713,000**	**$23,642,000**	**$21,340,000**	**$18,358,000**	**$8,787,000**

Appendix B

Technological Complications of Year 2000 Compliance

I. BACKGROUND

The Commission in its Instituting Order directed BA-NY to file a report detailing the technological complications concerning the equipment involved with providing InfoFone services.[29] As discussed, in the Presentation filed herewith on October 6, 1998, BA-NY made the business decision to discontinue InfoFone services. Technological complications made retirement of the Ericsson AXE-10 switch ("IMAS switch") necessary prior to January 1, 2000. InfoFone services are provided downstate utilizing the IMAS switch. This is the only Ericsson switch remaining in the BA-NY network today. The switch and trunks are located in Williamsburg with a remote with line-side interfaces at East 56th Street. The announcements for 976 programs are updated by IPs and broadcast through the remote's line-side interfaces. For 540, 970 and 550 programs, the calls are routed from the IMAS switch to the East 56th Street switch and out over exchange lines to the IPs. Unique to the IMAS switch is the Broadcast Synchronization capability for 976 services. This feature permits the recorded announcement (57 seconds) to be broadcast 20 seconds apart over each of the three (3) dedicated lines associated with each program. Callers are connected to the next available announcement. Therefore, the maximum amount of time a caller will have to wait is 19 seconds before the announcement begins. This broadcast feature is unique in the United States to the IMAS switch.

Today, the IMAS switch utilizes an AS 61 generic. A generic is a set of instructions for an electronic switching system that is the same for all offices using that system. Detailed

[29] The Company is filing this report on October 6, 1998 instead of October 19, 1998 to facilitate the tariff review.

differences for each individual office are listed in a separate parameter table. The current generic release is 308 and Ericsson has informed BA-NY that they will not be performing Year 2000 failure testing on the outdated AS 61 generic. BA-NY has tried unsuccessfully in the past to upgrade the software generic in the IMAS switch in the normal course of network maintenance. (See Attachment 1.) The AS 61 generic is 3 generics behind the current one. Even if the IMAS switch could be successfully updated to the current 308 generic at this time (which is not feasible), Ericsson has confirmed that the 308 generic also is not Year 2000 compliant.[30]

II. BELL ATLANTIC'S YEAR 2000 COMPLIANCE INITIATIVE

Bell Atlantic has undertaken a Company-wide Year 2000 program to address the challenges presented by the onset of the next century. The Year 2000 problem has been described as the greatest challenge ever to face information system managers. In the 1950s and 1960s, computer programmers, in order to reduce the need for expensive computer memory, developed the convention of storing dates using only two digits for the year. Thus, 1967 was represented as "67." While many programmers realized that this convention would not work for years after 1999, they assumed that the software they were writing would be obsolete and replaced long before the beginning of the 21st century. Unfortunately, they were wrong. Today, much of the mission-critical software that companies and individuals rely upon still uses this convention. As a result, it may no longer function properly after December 31, 1999. In some cases, the software

[30] During the meeting BA-NY hosted with the IPs in July 1998, Cognatronics was mentioned by an IP as a provider of Year 2000 976 technology. Based on BA-NY's discussions with this firm, it has not developed such a feature. The only system it has operating is an obsolete one-of-a-kind arrangement in New Jersey. That system is not equivalent to the IMAS switch since it only serves one IP. There may be some confusion since Cognatronics does provide a McIAS 1500 switch peripheral that records and announces standard or custom telco announcements, which is Year 2000 compliant. This peripheral is used in BA-NY's network including in connection with the IMAS switch, but it is not used to provide any information service functionality.

will continue to work, but it will generate spurious data that may not be detected for months or even years.

This problem has already been cropping up. Banks have had to correct loan processing software that could not calculate ten-year loans because it could not tell the difference between 2003 and 1903. Recently, a merchant sued a credit card company for issuing credit cards with expiration dates in 2000, which his point-of-sale credit card reader could not process.

It is also possible that problems will develop as soon as next year because some programmers wrote programs that interpreted the year "99" or the date "09-09-99" to execute special actions or to mean that the program was to terminate. (See FCC Y2K, http://www.fcc.gov/year2000/bkgndtxt.html.)

The BA-NY network and information systems consists of numerous computers (including switches) which will be affected by the Year 2000 transition. Bell Atlantic is testing its systems and applications to ensure that they can function in the Year 2000 and beyond. Bell Atlantic's Year 2000 program requires that all network elements be tested also, preferably by Bell Atlantic or its authorized agent. Bell Atlantic may also accept vendor testing and certification if accompanied by sufficient back-up data and certified by a third party.

While BA-NY anticipates that many network components and systems will be Year 2000 compliant before year end 1998, actual deployment of Year 2000 compliant solutions is likely to extend into 1999. However, BA-NY expects to have remediation completed and tested system-wide by mid-1999 at the latest. The essential goal of Bell Atlantic's Year 2000 Program is to ensure that Bell Atlantic's network and systems will continue to function, without material disruption, through the Year 2000 transition.

III. YEAR 2000 TECHNOLOGICAL CONCERNS WITH THE IMAS SWITCH

The IMAS switch serves all InfoFone services in the New York Metro LATA today. It is a network component connected to all central offices in the 132 LATA through central office trunks and facilities. If the IMAS switch experiences a Year 2000 failure (e.g., goes out of service), it will adversely impact BA-NY's 132 LATA network.[31] Based on vendor representations, BA-NY has determined that the IMAS switch is not Year 2000 compliant.

The IMAS switch is currently operating with an obsolete generic software (AS 61) that will not be Year 2000 tested by the manufacturer. As a general matter, any network component not tested by either Bell Atlantic or the manufacturer will be removed from the Bell Atlantic network.[32] Ericsson will not test the AS 61 generic which is presently operating on the IMAS switch so it is impossible to anticipate with any certainty the potential failures of the IMAS switch. (Testing an obsolete code is expensive and wasteful.) As described in Attachment 1, BA-NY has been unable to upgrade the IMAS switch to the current 308 generic. However, even this current generic is not Year 2000 compliant. Ericsson has identified the potential areas for failure with the Ericsson's most current generic software which are discussed below. Ericsson anticipates that the obsolete AS 61 generic could have additional areas of concern.

First, all switches have scheduled maintenance tasks that are run to ensure the health of a switch. The operation of these tasks are automatic and are date and time driven. First, Year 2000 could interfere with the dates causing multiple maintenance tasks to operate within the

[31] When a switch is out of service or overloaded, repeated attempts to a number will adversely affect other switches trying to complete calls to the out-of-service switch, thus slowing down their call processing capabilities.

[32] BA-NY cannot test the IMAS switch because it is in active service and because it is a one-of-kind arrangement with no duplicate component which can be tested in a lab. The IMAS switch is unique and in fact is the only remaining Ericsson switch in the BA-NY network.

same time period. As a result, the temporary storage unit (buffer) may overload because it cannot handle the volume of information resulting from the maintenance tasks. This situation is service affecting because it would cause the switch to go out of service as it attempts to clear its buffer. Calls in progress would be lost. Recovery time is unknown.

Second, Year 2000 could cause the switch not to perform scheduled maintenance tests because of an incorrect date and time. As a result, the switch components (hardware, software, lines and trunks) would not be checked automatically for problems. These scheduled tests are preventative maintenance to test, detect and eliminate potential trouble conditions before they become service affecting.

In addition, Year 2000 could affect the reports and printouts obtained from the switch. The wrong dates or no dates could appear on the reports. This would affect data outputs such as the quantity of calls answered, quantity of calls not completed, call blockage indicators and other maintenance indicators. Without the correct dates, there is no way to determine when certain events occurred. This data is used for engineering and maintenance purposes. Events such as restorals, maintenance routines, etc., would not be identified correctly if the wrong date and time are used. Reports that provide engineering information might be required to analyze the call volume and impact upon the switch (e.g., requirements for heavy calling periods). Maintenance Engineering might request reports to determine if maintenance routines were performed, or if any of the switch components have experienced trouble. These reports are used to monitor and engineer the switch.

These reports may also contain incorrect dates from the event logging in the database. For example, the maintenance routine may have occurred at night, but the event was logged in the

database as occurring in the morning. Based on this incorrect data, the internal system timers could cause a scheduled event to occur at the wrong time or not to occur at all.

The switch might restart a component to prevent blockage. This is automatic and the system timer is used. If the wrong date and time are used, the component will not restart at the appropriate time.

Traffic measurements from a switch are needed to engineer the switch and its components to handle the call volume surges. Without this information correctly identified by date and time, the switch can not be adequately supervised and provisioned. These measurements should capture the volume of traffic the switch is processing. The busy hour and day are used to properly provision a switch. If there are no dates and times, the data cannot be checked for reasonableness. This could result in an over-provisioned switch that has more equipment than required to handle the volume of calls. Or, it could result in an under-provisioned switch that does not have enough equipment to support the volume of calls. There could be an "oddball" occurrence that causes the data to peak. This "oddball" event is a one-time event. Without the correct date or time, this "oddball" occurrence could not be identified. Under-provisioning of a switch and its components is service affecting and can result in calls not being completed to the switch. "Re-tries" result in customer dissatisfaction as well as increased loads on originating switches.

The switch contains instructions that tell it where to send a call. These instructions can be modified. If a service problem should occur within a period of time after the instructions have been changed, Year 2000 may cause the old instructions to be restored automatically. This could be service affecting, causing calls to be incorrectly routed according to the old instructions.

The Input/Output ("I/O") is the equipment interface that allows Operations Department personnel to perform maintenance, translations and administrative functions. Operations can receive output reports, billing records and log messages. There are printers, terminals, disk drives and tape drives. An incorrect date due to the onset of the next century can cause the I/O equipment to restart because of pre-scheduled file deletions occurring at the wrong time. Deletions occurring earlier than scheduled may result in service problems because the information on file is necessary to ensure proper functioning. For example, a translations change could be scheduled but dependent upon other work to be completed before the translation is complete. An incorrect date may result in the completion of the translation before the other work is completed causing calls to be misdirected.

When the system is changed due to additions or deletions of tables, routing information, etc., the old version is kept as a backup in the event problems should occur. Year 2000 problems may result in the older version of the system replacing the new version. This would be service affecting as the switch reverts to operating the way it was prior to the change. Calls may be routed incorrectly since the calls could search for routes which may have been deleted.

Ericsson has developed a Year 2000 compliant generic (308.2). This release is not yet commercially available and has not been tested with IMAS (broadcast) functionality since the only IMAS switch is in active service in the BA-NY network. Ericsson has stated that the present IMAS generic (AS 61) could have additional undefined Year 2000 problems. Ericsson reviewed the possibility of upgrading the current platform and has concluded that the best solution is not to upgrade the switch. Therefore, the only remedial solution would be switch replacement or the migration of the services to another switch. These alternatives will be discussed further in the Report on Contingency Plan (Appendix C).

Attachment 1

Generic Upgrade Attempts

Three attempts were made in 1996 to upgrade the IMAS switch from the AS 61 to 304 generic (an earlier version of the current 308 generic).[33] The 976 overlay to this switch is a factor contributing to these technical difficulties.

March 1996 Attempts

An upgrade of the IMAS switch generic was attempted in March 1996. Transition to the new processor was initiated. Twenty minutes later, the switch appeared to recover. Troubles with call completions and intermittent dial tone were encountered during the test calling. It was discovered that two regional processors ("RPs") were in a non-working state. (Regional processors act as a relay for traffic information.) Attempts to restore the RPs were unsuccessful. The decision was made to return to AS 61 generic. The return took approximately 1/2 hour due to the Subscriber Line Circuit Test buffer being exceeded. Two additional restarts were needed. Later, the dial tone was stable and call completion was consistent. The switch did not have a clean recovery as a large alarm list indicated troubles at the remote switch at 56th Street. Over the next six hours, the remote troubles were cleared and the alarm list was reduced.

The next day, another attempt was made to transition to the new generic. The switch recovered within 5 minutes. All regional processors were working. Soon after, testing began. Intraoffice calls were successfully completed, while interoffice calls were being abandoned. After one hour, all efforts to resolve this problem were unsuccessful. No resolution was apparent. The

[33] Upgrades to BA-NY's network generally occur during those times when it will least likely effect service.

decision was made to return to AS 61 generic. The switch recovered within 20 minutes. However, the switch began to have trouble completing calls. A manual restart was initiated to clear the problem. Both intraoffice and interoffice test calls were successfully completed.

December 1996 Attempt

The third attempt to upgrade the Ericsson switch occurred in December 1996. Initially, the interoffice test calls failed. The Register Signaling Variant ("RSV") assigned to all trunk routes was incorrect. Ericsson had used the generic routing and not the customized routing that was in the switch. The RSV on the trunk routes was corrected.

Within two hours, problems occurred with the 976 broadcast services. Alarms would begin then cease. Calls that were successful earlier now failed.

In addition, a software error hung up all of the Input/Output ("I/O") devices. All communication was lost with the switch. The switch continued to process calls. This software error was fixed by Ericsson.

Also, attempts to print the Broadcast Statistical Report were unsuccessful, and CIRCUIT 9 service was having problems completing calls. No progress was being made with the resolution or the Broadcast Statistical Report or CIRCUIT 9 service failures. The decision to return to AS 61 was made.

Approximately one hour later, the switch recovered. Ericsson's explanation of the 45 minute recovery time was that the reload file was corrupted. All test calls were successful including CIRCUIT 9 service.

Given these three unsuccessful attempts, BA-NY has made no further attempts to upgrade the IMAS generics.

Appendix C

Contingency Plan

The Commission has requested that BA-NY present a contingency plan for the continued provision of InfoFone services into the Year 2000 should the Commission deny the request to discontinue these services.[34] If the Commission requires BA-NY to continue to provide any or all of the InfoFone services beyond 1999, BA-NY has decided to migrate these services to a standard network switch already in use in BA-NY's network.

The contingency plan would result in a significant modification in the way 976 services are provided to the IP and accessed by the end user. Based on the information currently available, any continuation of the InfoFone services could not include the broadcast functionality. Currently, only the 976 services require broadcast functionality. In general, 976 calls would be provided in the same way as IINS (540) and GBS (550) are provided in the New York LATAs other than the Metro LATA. That is, calls would be routed over the existing POTs network to a 5ESS or DMS-100 switch. The switch would send the call to the IP's location over lines connected to the switch. Other 976-type services in Bell Atlantic's territory as well as across the country are provided in this way. This approach would conform 976 services in New York to the generally accepted practice in the industry. There would be virtually no changes in the method of providing of GBS, IINS or CIRCUIT 9 service.

The existing service structure for 976 services was developed to reflect the constraints inherent in the existing broadcast capability arrangement. These include:

- A fixed-length, 57-second announcement.

[34] The Company is filing this report on October 6, 1998 instead of October 19, 1998 to facilitate the tariff review.

- A single announcement which is "passive," i.e., which cannot receive or be modified by any "interactive" inputs from the caller.

- A common rate per call for calls to any 976 number and its associated information program.

- A serving arrangement to the IP which consists of three private (i.e., dedicated) lines, over which the IP simply plays its recorded announcement on a continuous basis, with the beginning of the recording on each private line being 20 seconds apart from the beginning of the recordings on either of the other two private lines.

- The equipment required by the IP to interface with the three private lines, and to continuously play its recorded announcement over each line, is much different than the equipment required by IPs using IINS.[35]

In the new switch and network arrangements, 976 would have to be restructured to reflect the features associated with the exchange line arrangement now used for IINS and GBS. This would result in changing the technical constraints now inherent in the broadcast arrangement as follows:

- All calls would be routed over exchange lines to the IP's premises, and would be answered by the IP's equipment, similar to IINS and GBS.

- Because the calls will be answered at the IP's premises, with the IP's equipment, such calls could be:

  (a) Variable length
  (i.e., no longer restricted to 57 seconds)

  (b) "Interactive" or Live Answer
  (i.e., the IP could provide the caller with the opportunity to select different recordings, or a sequence of recordings, or live answer -- with great variations in the length of such calls, depending upon the caller's choices during the call)

  (c) Individually rated, on a per minute or per call basis

[35] The IINS-oriented equipment must answer incoming calls, have a separate connection to accommodate each exchange line, and have sufficient connections and internal capacity to accommodate a large number of exchange lines, since each exchange line is busy for the entire period of the incoming call which it answers.

(i.e., there would no longer be any technical constraint to pricing each 976 program differently, at a price selected by the IP)

Given the availability of these features, the constraints incorporated in the current 976 service structure -- i.e., fixed-length messages, "passive" programs (which prevent variable length inputs by the callers), and the same rate for every 976 call -- would no longer be required by the new technical network arrangements. Therefore, 976 IPs could technically provide variable length, interactive or live information services, even if the existing 976 constraints were incorporated into a new 976 tariff. Given these features, it might be desirable simply to eliminate the 976 tariff and just add the 976 NXX to IINS.

Should BA-NY be required to continue to provide InfoFone services, it will migrate these services to an existing switch in the downstate 132 LATA. This approach is preferable given the availability of some capacity on an existing switch and the expense and time required to order, install and test a new switch. BA-NY has identified a potential host switch -- a 5ESS switch at 18th Street. This switch will require switch module additions to support the services. The equipment is expected to cost approximately $3.5 million not including expedited installation costs and the cost of additional facilities. The implementation will require 12 months to complete.

In order to meet the implementation schedule, BA-NY needs to know now whether or not it will be required to continue to provide these services. The schedule outlined below is premised on shorter than normal intervals and is subject to change. These dates will be refined once the switch location and network configuration are determined. Equipment requirements will affect the dates. BA-NY needs time to test the additional equipment, to test the new trunking and facilities and to test with the IPs. The longer a decision is delayed, the less time BA-NY has to order, install and test the new arrangement internally and with the IPs.

- A study of the existing network has started.
- The switch location must be determined by October 9, 1998.
- A Network Planning Deployment Plan is required by October 26, 1998. This document will contain the switch location, network configuration with trunk and facility requirements, and authorization to order equipment.
- A project manager will be assigned to this deployment.
- Engineering orders for additional equipment need to be issued by November 25, 1998.
- The additional equipment (if required) should arrive by January 31, 1999. It will need to be installed and tested by February 28, 1999. (This is dependent on size.)
- The trunk and facility orders need to start by January 31, 1999.
- The project manager will hold meetings on a regular basis to ensure that progress is made.
- Test and migration schedules should be established by March 15, 1999. After the IPs are tested successfully, their service will migrate to the new switch. This will be a phase migration to ensure that each IP's service works on the new switch.
- All services must be off of the existing switch by November 30, 1999.

BA-NY will work with the 976 IPs to determine the new network facilities necessary. IPs will have to add additional lines to support the peak volume of calls to any program. They will also have to acquire additional announcement equipment similar to the IINS IPs.

BA-NY reiterates that it is presenting this contingency plan as a result of the Commission request. BA-NY does not support the continuation of these services and believes that any time, expense and effort expended is not prudent. The Company urges the Commission to act as expeditiously as possible to stem unnecessary expenses and actions at a time when Year 2000 compliance for the entire network is a high priority.